Oil and Gas Commission

Service Plan

2005/06 to 2007/08

OGC

National Library of Canada Cataloguing in Publication Data

British Columbia. Oil and Gas Commission.
Service plan. -- Apr. 1, 2003 to Mar. 31, 2006-

Annual.
ISSN 1708-7244 = Service plan – British Columbia.
Oil and Gas Commission

1. British Columbia. Oil and Gas Commission – Periodicals. 2. Petroleum industry and trade – Government policy – British Columbia – Periodicals. 3. Gas industry – Government policy – British Columbia – Periodicals. I. Title. II. Title: Oil and Gas Commission service plan.

HD9574.C33B74 354.4'5'0971105 C2003-960238-9

OGC

Table of Contents

Letter from the Board Chair to the Minister of Energy and Mines	1
Organizational Overview	2
Our Vision	4
Our Mission	4
Our Core Values	4
Our Key Success Factors	4
Our Strategic Context	5
Our Key Strategic Issues	5
Our Key Risks and Capacity Influencers	5
Our Goals, Objectives, Strategies, and Performance Measures	
Goal 1	6
Goal 2	7
Goal 3	8
Goal 4	9
Goal 5	10
Goal 6	11
Summary Financial Outlook	12
Major Capital Projects Information	13
Operating Segments Summary Information	13
Confidentiality	13
Contact Information	13
Endnotes	13

OGC

Letter from the Board Chair to the Minister of Energy and Mines

I am pleased to present the 2005/06 to 2007/08 Service Plan for the Oil and Gas Commission of British Columbia.

The province is continuing to enjoy a significant growth in the oil and gas industry.

A key strategy at the Commission to successfully manage the increasing industry activity is business process improvement. At least 27 process improvement projects are underway or completed. These projects will benefit clients and the public through enhanced service levels, improved efficiencies, and broader collaboration.

The board has fully endorsed the process improvement initiatives, and I would like to thank the staff for their support in embracing change, industry for the hard work of advisory groups, and First Nations for showing new pathways in collaboration.

This Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks, as of January 27, 2005, have been considered in preparing the plan. I am accountable for ensuring the Oil and Gas Commission achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Sheila Wynn

January 27, 2005

Sheila Wynn
Board Chair

OGC

Organizational Overview

The Oil and Gas Commission (OGC or Commission) was established under the *Oil and Gas Commission Act* in July of 1998 as part of the provincial government's Oil and Gas Initiative. This independent Crown agency is fully financed by the oil and gas industry through fees and levies.

The OGC is responsible for regulating British Columbia's oil and gas sector and for making decisions on oil and gas applications, considering broad environmental, economic and social effects. We also have a responsibility to consult with First Nations, engage stakeholders, ensure safe operating practices, and streamline regulatory processes.

The OGC has offices in Fort St. John, Fort Nelson, Kamloops, and Victoria. There are approximately 130 staff employed at the Commission.

There are two divisions and an executive office in the Commission:

1. Operations Division

    - Project Assessment Branch
    - Compliance and Enforcement Branch
    - Operations Engineering Branch
    - Resource Conservation Branch
    - Program Development Branch
    - Aboriginal Relations and Land Use Branch

2. Corporate Services Division

    - Finance and Administration Branch
    - Strategic Planning & Performance Reporting
    - Human Resources Branch
    - Financial Planning Branch
    - Information Systems Branch
    - Science and Community Environmental Knowledge Fund Administration
    - Advisory Committee Administration

The Executive Office has responsibility for Stakeholder Relations, Client Services, and Board administration.

The core services of the Commission are:

1. Assessment of oil and gas applications and issuance of approvals
2. Compliance and enforcement for oil, gas and pipelines
3. Consultation with First Nations on applications and operations

A three-member Board of Directors governs the OGC. The Deputy Minister of Energy and Mines, Sheila Wynn, is the Chair. The Commissioner, Derek Doyle, is Vice-Chair and is responsible for the operations of the Commission. John Bechtold, a government appointee, is the third Director and chairs the audit committee of the board. More details about the board are available on our website.

The Commission receives advice from several groups in doing its duty:

- Advisory Committee: A group of eight individuals appointed by government to evaluate Requests for Reconsideration by Alternate Dispute Resolution under the authority of Section 9 of the *Oil and Gas Commission Act* and to provide recommendations to the Commission. Over 89% of recommendations have been implemented.

- Practice Advisory Group (PAG): PAG is a joint initiative between the Commission and the oil and gas industry that is intended to raise issues of mutual concern and to work toward a resolution of those issues. It is a volunteer group that consists of a steering committee and eight sub-committees, each with expertise in a particular operational area of the oil and gas industry. Over 80% of recommendations have been implemented.

- Best Practices Working Group (BPWG): BPWG is a group composed of government and industry members to address regulatory efficiency and service delivery issues related to petroleum and natural gas activities. The Oil and Gas Commission has a representative on the BPWG. 100% of recommendations received to date (31) have been implemented.

Finally, the Commission receives advice from First Nations, local governments, federal and provincial agencies, the Canadian Association of Petroleum Producers (CAPP), and the Small Explorers and Producers Association of Canada (SEPAC) – along with many other stakeholders who contribute to our continuous improvement.

It is important to note the distinction between the Ministry of Energy and Mines (MEM) and the Oil and Gas Commission. While MEM determines policy, the Commission regulates according to that policy. The OGC is not responsible to set or directly evaluate government policy. MEM is the oil and gas resource manager and determines where tenures will be sold and the conditions that will guide activity on those tenures.

In summary, the Oil and Gas Commission provides an important public service by regulating oil and gas activities in British Columbia. Inter-provincial and international pipelines are regulated by the National Energy Board.

OGC

Our Vision

"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."

Our Mission

"Regulating Oil and Gas Activity:

- *through fair, consistent, responsible and transparent stakeholder engagement,*
- *for the benefit of British Columbians,*
- *by balancing environmental, economic, and social outcomes."*

Our Core Values

"We Commit to Integrating the Following in Everything We Do:

- *We are truthful and do our duty above all else in the performance of our responsibilities.*
- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are accountable through our service plan.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We embrace change that enables personal and organizational growth.*
- *We promote a positive and rewarding work environment."*

Our Key Success Factors

- *"Upholding our core values*
- *Understanding and focusing on core services*
- *Building and sustaining competence within the organization.*
- *Anticipating and responding to short- and medium-term demands for the services of the organization*
- *Staying close to communities, clients, stakeholders and First Nations*
- *Recognizing barriers and developing initiatives to close performance gaps*
- *Aligning and focusing organizational energy on achieving performance targets*
- *Continuously improving business processes and technological support"*

OGC

Our Strategic Context

The Commission continues to benefit greatly from the hard work of our employees and the stable working relationships that we enjoy with clients, stakeholders, First Nations, and government.

Keeping pace with the growth in industry activity continues to be a challenge because we are currently constrained internally by relatively outdated business processes and technologies. Human resource restrictions are also a challenge. For example, attracting and hiring appropriately skilled professionals to northern B.C. can take a considerable time.

These issues must be resolved for the Commission to improve its capacity and to become *the* innovative regulatory leader.

Our Key Strategic Issues

- Successfully manage the growth in the oil and gas industry through process improvement.
- Continue the transition to results-based regulation and audit process development.
- Look at new human resource options to manage growth, increased workload and change.
- Transition to a more collaborative framework with First Nations.
- Ensure public safety is the highest priority.

Our Key Risks and Capacity Influencers

Uncontrollable:

- Commodity price and production fluctuations: As prices and production volumes change, the level of industry activity and therefore Commission revenue also change.
- Weather: Temperature variations, and the timing of winter freeze-up and spring break-up, can lead to variations in industry activity and hence Commission revenues.

Controllable:

- Organizational capacity to manage growth and change: As the Commission assumes a greater scope of activities and oversees more industry activity; our capacity to manage can become stressed. Effective structures, resourcing, and focusing on core competencies can help to alleviate this capacity influencer.
- Employee retention: As industry expands, staff can be attracted to or recruited by industry. With the departure of staff, corporate knowledge is lost. Time, expenses, and client satisfaction can be adversely affected while filling the vacant positions. Retention strategies can reduce turnover and minimize those adverse effects.

OGC

Goal 1

We will continue to improve public safety, protection of the environment, and conservation of petroleum resources.

Enabling Legislation

***Oil and Gas Commission Act*, Section 3.**

"The purposes of the commission are to:

(a) regulate oil and gas activities and pipelines in British Columbia in a manner that:

(i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being,
(ii) conserves oil and gas resources in British Columbia,
(iii) ensures safe and efficient practices, and
(iv) assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas.."

Alignment with Government's Strategic Plan [1]

Goal: Safe, healthy communities and a sustainable environment.

Objective: British Columbia will have a healthy physical environment.

Objective

Increase the number and effectiveness of field inspections.

Strategies

1. Undertake risk and performance assessments.
2. Develop an orphan site program for the consideration of government.
3. Deliver educational and compliance programs to industry.
4. Increase inspections by 25% each year on a three year rolling average.

Performance Measures	Targets				
Safety, Environment, & Conservation	**2004/05 Target**	**2004/05 Estimate**	**2005/06**	**2006/07**	**2007/08**
Major compliance: Exploration & Development [2] Baseline: 2001/02: 79%	90%	86%	92%	92%	92%
Major compliance: Facilities, Drilling Rigs & Operations Baseline: 2002/03: 93% (Restated) Benchmark: Alberta EUB: 95.6% (2001/02)	96%	97%	97%	97%	97%
Number of Inspections Baseline: 3 year rolling average: 2,282	N/A: New	2,510	3,140	3,760	4,140

OGC

Goal 2

We will make timely and informed decisions based upon the input we receive.

Enabling Legislation

***Oil and Gas Commission Act*, Section 3.**

"The purposes of the commission are to:

> (b) provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects…"

Alignment with Government's Strategic Plan

Goal: A strong and vibrant provincial economy.

Strategies: Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery

Implement a streamlined, science-based, results-oriented regulatory approach to protect human health and the environment and ensure effective enforcement.

Improve public access to government through e-government initiatives

Objectives

1. Improve service levels by improving application processing.
2. Combine community knowledge and science in all aspects of regulation.
3. Improve dispute resolution processes and procedures.

Strategies

1. Implement process improvements.
2. Broaden the use of General Development Plans (GDPs) by industry.
3. Upgrade electronic information systems and program management tools.

Performance Measure			**Targets**		
Application Review	**2004/05 Target**	**2004/05 Estimate**	**2005/06**	**2006/07**	**2007/08**
Average number of calendar days to assess new applications [3]	21	23 [4]	20	19	18

Baseline: 2001/02: 32.71 calendar days [4]
Benchmark: Colorado: 30 days (Target)

OGC

Goal 3

We will strengthen our relationships with stakeholders, First Nations, and clients through education and participation.

Enabling Legislation

***Oil and Gas Commission Act*, Section 3.**

"The purposes of the commission are to:

(c) encourage the participation of First Nations and aboriginal peoples in processes affecting them, and

(d) participate in planning processes, and

(e) undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission."

Alignment with Government's Strategic Plan

Goal: A supportive social fabric.

Strategies: Establish workable relationships with First Nations communities.

Enhanced social development for aboriginal people.

Promote the development of supports and services within aboriginal communities that address their unique social and economic conditions.

Objectives

1. Improve relationships with stakeholders, First Nations, and clients.
2. Broaden dispute resolution to all aspects of decision-making.

Strategies

1. Independent assessment of client satisfaction.
2. Develop and implement an enhanced Alternative Dispute Resolution model.
3. Review and update Agreements and MOU's with First Nations and MEM.

Performance Measures			**Targets**		
Education & Participation	**2004/05 Target**	**2004/05 Estimate**	**2005/06**	**2006/07**	**2007/08**
Percent of applications responded to by First Nations Baseline: 2001/02: 75.2%	80%	94.9%	80%	80%	80%
Client Satisfaction Baseline: N/A (New Measure) Benchmark: Alberta EUB: 76% (2000).	Establish Baseline	Avail. in March	TBA	TBA	TBA

OGC

Goal 4

We will broaden our permitting authority.

Enabling Legislation

Oil and Gas Commission Act.

Alignment with Government's Strategic Plan

Goal: A strong and vibrant provincial economy.

Strategies: Continue to streamline government's legislation and regulation.

Continue to expand one-stop permitting and licensing in key sectors

Objective

Improve our legislative and regulatory framework and broaden our permitting authority to approach 'single-window' service to industry.

Strategies

1. Work with MEM to improve our legislative and regulatory framework.

2. Enter into additional MOU's with partner agencies and ministries.

Performance Measure			**Targets**		
One-Stop Permitting	**2004/05 Target**	**2004/05 Estimate**	**2005/06**	**2006/07**	**2007/08**
Number of agencies that industry clients must work with on oil and gas applications Baseline: 1998/99: 6	N/A: New	3 [5]	3	2	1

OGC

Goal 5

We will nurture a personal-best performance environment for our employees.

Enabling Legislation

Oil and Gas Commission Act.
Public Service Act.

Alignment with Government's Strategic Plan

Strategy: Promote and sustain a renewed professional public service

Objectives

1. Enhance employee capabilities and professionalism.
2. Enhance leadership capabilities.
3. Improve employee retention.

Strategies

1. Conduct regular performance evaluations & plans and close any performance gaps.
2. Conduct regular 360° performance surveys on senior leaders and close any leadership gaps.
3. Monitor employee turnover, conduct exit interviews, and take action to prevent excessive turnover.
4. Develop innovative human resource strategies, systems, and guidelines to ensure that we can recruit and retain professional staff.

Performance Measures			**Targets**		
Organizational Capability	**2004/05 Target**	**2004/05 Estimate**	**2005/06**	**2006/07**	**2007/08**
Percentage of employees with a performance evaluation & plan in place Baseline: N/A (New Measure)	100% of Excluded Employees	100% of Excluded Employees	100% of Employees	100% of Employees	100% of Employees
Voluntary Turnover Rate of Regular Staff Baseline: 2000: 11.3% Benchmark: BC Government: 2.4% (2004)	10%	11.6%	9%	8%	7%

OGC

Goal 6

We will operate as a self-sustaining organization.

Enabling Legislation

Oil and Gas Commission Act.

Alignment with Government's Strategic Plan

Objective: Government will be affordable and fiscally responsible.

Objectives

1. Achieve targeted financial results.
2. Minimize working capital pressures.
3. Ensure that prudent risk management practices are in place.

Strategies

1. Generate sufficient revenue to at least cover Commission costs.
2. Increase working capital to manage unexpected fluctuations in cash.
3. Develop and implement an Enterprise Risk Management Program .
4. Introduce a refined financial information system to assist in monitoring financial activity.

Performance Measures			**Targets**		
Financial Integrity	**2004/05 Target**	**2004/05 Estimate**	**2005/06**	**2006/07**	**2007/08**
Ratio of Commission Revenues to Expenses Baseline: 1998/99: 0.95:1.0	N/A: New	1.09:1	1:1	1:1	1:1
Ratio of Financial Audits performed to Positive ("Unqualified") Audit Opinions Baseline: 1998/99: 1:1	N/A: New	1:1	1:1	1:1	1:1

OGC

Summary Financial Outlook ($000)	2003/04 (Actual)	2004/05 (Budget)	2004/05 (Estimate)	2005/06 (Budget)	2006/07 (Estimate)	2007/08 (Estimate)
Revenue						
Fees	14,218	14,172	16,731	14,982	15,207	15,733
Levies	6,221	10,438	10,313	11,173	11,146	11,415
Miscellaneous	120	50	48	50	50	50
Total Revenues	**20,559**	**24,660**	**27,092**	**26,205**	**26,403**	**27,198**
Expenses						
First Nations	8,779	7,910	10,197	9,940	10,471	11,020
Salaries and Benefits	8,343	10,514	9,310	10,497	10,497	10,497
Operating Expenses	3,959	5,047	5,355	5,416	5,300	5,395
Total Expenses	**21,081**	**23,471**	**24,862**	**25,853**	**26,268**	**26,913**
Operating Income (Loss)	**(522)**	**1,189**	**2,230**	**352**	**136**	**285**
Amortization of Contributed Assets	95	95	95	95	95	95
Net Income (Loss)	**(427)**	**1,284**	**2,325**	**447**	**231**	**380**
Full Time Equivalents	121	140	138	140	140	140
Capital Expenditures	333	596	278	452	452	452
Linking Goals with Required Resources						
Goal 1	3,068	4,005	3,606	3,874	3,874	3,874
Goal 2	2,671	3,298	2,987	3,395	3,395	3,395
Goal 3	2,068	2,132	2,281	1,957	1,957	1,957
Goal 4	1,895	2,025	2,164	2,381	2,265	2,265
Goals 5 & 6	2,600	4,101	3,627	4,306	4,306	4,401
Total Required Resources						
Direct Operating Costs:						
(Total Expenses less First Nations payments)	**12,302**	**15,561**	**14,665**	**15,913**	**15,797**	**15,892**

Key Assumptions

- New well applications are 1750, 1875, & 2000.
- Gas volume increases are 3% per year (Ministry of Energy and Mines).
- Oil volume decreases are 2% per year (Ministry of Energy and Mines).
- Inflation is forecast at 2% per year (Treasury Board).
- Gas prices remain in excess of $5/MCF.
- The following approved levies and fee are implemented:

	2005/06	2006/07	2007/08
Gas Levy: Total (w/ SCEK)	35¢	35¢	35¢
To the OGC	35¢	34¢	34¢
Oil Levy: Total (w/ SCEK)	70¢	70¢	70¢
To the OGC	70¢	68¢	68¢
Well Fee: Total (w/ SCEK)	$7,900	$7,900	$7,700
To the OGC	$7,900	$7,500	$7,300

Forecast Risks and Sensitivities

- Commodity prices
- Weather
- Oil and Gas Production
- Industry activity in other jurisdictions

Please see 'Key Risks and Capacity Influencers' section.

OGC

Major Capital Projects Information

Not Applicable to the Oil and Gas Commission

Operating Segments Summary Information

Not Applicable to the Oil and Gas Commission

Confidentiality

No information in this Service Plan is deemed to be confidential.

Contact Information

For general information about the Oil and Gas Commission, you can contact us at:

Phone	(250) 261-5700
Website	www.ogc.gov.bc.ca
Mail	200, 10003 – 110 Avenue Fort St. John, B.C. V1J 6M7
Fax	(250) 261-5728

For more information regarding this Service Plan, please contact the Division Leader, Corporate Services, at (250) 261-5771.

Endnotes

[1] The B.C. Government Strategic Plan can be viewed at: http://www.bcbudget.gov.bc.ca/stplan/

[2] This measure includes compliance with road, geophysical, and stream-crossing regulations.

[3] This measure has been redefined (and adjusted) from working- to calendar-days at our clients' request.

[4] Independently verified.

[5] Includes Ministry of Water, Land and Air Protection (for flaring) and Agricultural Land Commission (for issues beyond the current MOU).